



### What is Strategic Funds Management?

Strategic Funds Management (SFM) is the Federal Emergency Management Agency's (FEMA) process for obligating Hazard Mitigation Grant Program (HMGP) funding based on a subgrantee's schedule to execute the eligible work. SFM is designed to provide incremental funding for eligible activities when funds are required.

SFM enhances FEMA's management of the Disaster Relief Fund (DRF) consistent with appropriations and the [Budget Control Act of 2011](#)<sup>1</sup>. SFM helps avoid project funding restrictions that may occur under Immediate Needs Funding (INF).

INF is implemented to preserve funding in the DRF for the immediate needs of current or future disasters.

### How is an SFM project affected if FEMA implements Immediate Needs Funding (INF)?

Generally, FEMA does not approve HMGP projects while INF is in effect. However, FEMA will continue to incrementally obligate funds according to schedule once the INF is lifted. The intent of SFM is to avoid implementation of INF.

### Who is responsible for implementing SFM?

Subgrantees, grantees and FEMA all have a role in implementing SFM.

- FEMA, the grantee, and subgrantee reviews each subgrant schedule, budget and scope to determine which subgrants are appropriate for SFM. For SFM subgrants, the grantee and subgrantee must develop a schedule for obligations for each subgrant.
- FEMA's Office of Chief Financial Officer (OCFO) and Federal Insurance and Mitigation Administration (FIMA) have developed SFM implementation guidance.

### When did SFM roll out?

FEMA announced the implementation of SFM in a joint [memorandum](#)<sup>2</sup> dated June 11, 2012, from William Carwile, Associate Administrator for Response and Recovery, David Miller, Associate Administrator for Federal Insurance and Mitigation and Edward Johnson, Chief Financial Officer, to the FEMA Regional Administrators, Federal Coordinating Officers, Federal Disaster Recovery Coordinators, Regional Recovery Division Directors, Regional Mitigation Division Directors and Regional Comptrollers.

### Why is implementing SFM important?

SFM is a tool that FEMA uses to manage the DRF more efficiently. SFM promotes fiscal responsibility and better project management by incrementally funding activities as each project milestone is reached. SFM allows FEMA to reduce the amount of unexpended obligations over time by obligating project funds when subgrantees will use them (just-in-time obligations). This business practice supports FEMA's goal of maintaining DRF solvency.

<sup>1</sup> <http://www.gpo.gov/fdsys/pkg/BILLS-112s365enr/pdf/BILLS-112s365enr.pdf>

<sup>2</sup> [http://www.fema.gov/media-library-data/1394548502005-42bb9abe56db2e31f88211a30c2a4d88/SFM\\_signed\\_memo508.pdf](http://www.fema.gov/media-library-data/1394548502005-42bb9abe56db2e31f88211a30c2a4d88/SFM_signed_memo508.pdf)

## What are the benefits of SFM?

The benefits of SFM are:

- Uses principles of sound fiscal program management
- Improves the management of DRF resources by reducing the encumbrance of funds currently not needed to execute projects, which reduces the need for future INF restrictions
- Improves communication between FEMA and the grantees
- Obligates funds needed to implement approved activities of a subgrant based on work schedule
- Promotes effective program management by improving project oversight, limiting obligations to only approved work, adding transparency and identifying unused funds

## How does SFM work?

Subgrantees, grantees and FEMA staff must evaluate all pending and future HMGP projects over \$1 million federal share to determine whether the project is a candidate for incremental obligation. This will allow FEMA to approve and obligate only the funds that will be drawn down by the grantee within a reasonable period.

If an HMGP project is appropriate for SFM, FEMA, the grantee and subgrantee will review and revise the budget to ensure that the project supports incremental obligation. Obligations are executed in increments, based on the project meeting an established project milestone schedule, until the project is completed.

## Are all projects required to use SFM?

No. FEMA recognizes that certain projects may not be suitable for incremental funding.

The following projects are not required to use SFM:

- Projects with a federal share of less than \$1 million
- Projects that require an approved source of funding (full obligation) by the state procurement process in order for the applicant to enter procurement and contracting
- Projects for which most of the funds will be disbursed within six months

Although those projects are not required for SFM, they should be evaluated because there may be some value in incremental funding. If SFM is not used on a large project, the grantee must provide proper justification to FEMA.

## What is the difference between an eligible project and an approved project?

FEMA will review the eligibility of all projects submitted for funding based on the eligibility criteria as defined in [44 CFR 206.434](#)<sup>3</sup>. Once the project is determined eligible, FEMA may approve the project for funding under HMGP.

For HMGP projects implementing SFM, the subgrant may be determined eligible for funding, however FEMA only obligates the approved line items within the subgrant. Additional eligible line items remain unapproved and unfunded until subsequent approvals and obligations occur.

## What is the difference between phased projects and projects that implement SFM?

The difference between phased projects and SFM projects is eligibility determination. For phased projects, full eligibility determination has not been made. All projects using SFM have been determined as an eligible project but funding is provided for the approved portion only.

However, phased projects may also use SFM incremental obligations once the project's eligibility has been determined.

---

<sup>3</sup> <http://www.gpo.gov/fdsys/pkg/CFR-2002-title44-vol1/content-detail.html>

## Will SFM tools and job aids be provided to grantees?

Yes, FEMA will provide SFM tools and job aids to grantees as needed.

## Does SFM cause a delay in obligations?

SFM does not delay current or future HMGP obligations. SFM enhances planning and executing of resources to meet the overall mitigation efforts for each applicant.

## How does SFM affect the Period of Performance?

All HMGP activities must conform to Period of Performance (POP) requirements whether or not SFM is incorporated. The POP is the period of time during which the grantee is expected to complete all grant activities and to incur costs.

- *For declarations on or after July 12, 2013:* With release of the Fiscal Year (FY) 2013 Hazard Mitigation Assistance (HMA) Guidance, the POP begins with the opening of the application period and ends no later than 36 months from the close of the application period.
- *For declarations before July 12, 2013:* Under FY 2011 HMA Guidance, the POP begins on the date that the grant is awarded and ends no later than 36 months from the award of the final subgrant under the grant. The POP termination date is established by the subgrant with the latest completion date.

Grantees are responsible for ensuring that all approved activities are completed by the end of the grant POP. Regional Administrators have the discretion to extend the POP.

## Does SFM obligations have to be expended within 24 months from receipt of the obligation?

The 24 month obligation requirement is associated only with Superstorm Sandy declarations. The [Sandy Recovery Improvement Act of 2013 \(SRIA\)](#)<sup>4</sup> requires the grantee and subgrantee to expend obligated grant funds within 24 months or funds are to be returned to the agency.

**SRIA award timeline scenario**

Q1 APR-JUN	Q2 JUL-SEP	Q3 OCT-DEC	Q4 JAN-MAR	Q5 APR-JUN	Q6 JUL-SEP	Q7 OCT-DEC	Q8 JAN-MAR	Q9 APR-JUN	Q10 JUL-SEP	Q11 OCT-DEC	Q12 JAN-MAR	
1st Incremental Obligation of \$1.5 Million June 2014 (24 months to spend)												
			2nd Incremental Obligation of \$2 Million March 2015 (24 months to spend)									
								3rd Incremental Obligation of \$1.5 Million April 2016 (24 months to spend)				

## How does the Large Project Notification process intersect with SFM?

All projects with scheduled obligations of \$1 million or more federal share are subject to the Large Project Notification (LPN) process. The OCFO reviews all disbursement requests submitted to the LPN and follows up with FEMA Headquarters Program Office to ensure that SFM has been considered and used when appropriate.

<sup>4</sup> <https://www.fema.gov/about-agency/sandy-recovery-improvement-act-2013>

## **How is SFM related to the Spend Plan?**

The importance of accurate "spend plans" cannot be overstated. They enable FEMA to better manage the resources of the DRF to best meet the requirements of current and future disasters. As projects are identified for SFM, the agreed upon obligation schedule should be reflected in the spend plan. In many situations, we will need to revise spend plan projections based on the grantee's ability to meet project milestones. This initiative will in no way delay current or future recovery operations. SFM enhances our planning for, and execution of, resources to meet the overall recovery efforts for each respective applicant. Additionally, the SFM initiative allows us to ensure that applicants are receiving funding when needed to maintain the momentum of recovery operations.

## **Who requests funds under SFM?**

The grantee must request funds from FEMA in writing after reviewing the work schedule and current progress to ensure that the funds are needed. FEMA reviews the grantee's request and if the applicant is ready to execute additional funds, FEMA reviews or adjusts the spend plan to ensure that the correct amount of funds are requested. The monthly spend plan is reviewed and submitted through normal funding procedures.

## **How does FEMA keep track and document the SFM process?**

FEMA tracks SFM projects in the National Emergency Management Information System (NEMIS) and Enterprise Data Warehouse (EDW) Site prior to obligation as part of the final project eligibility reviews.

Grantees may develop their own processes and procedures to enable subgrantees to monitor their projects.